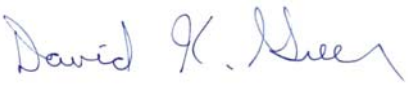


2010 REGULAR SESSION
ACTUARIAL NOTE SB 14

Senate Bill 14 SLS 10RS-66 Engrossed with Senate Committee Amendments #1354 Author: Senator Conrad Appel Date: April 19, 2010 LLA Note SB 14.02 Organizations Affected: Louisiana State Employees' Retirement System EG NO IMPACT APV	The Note was prepared by the Actuarial Services Department of the Office of the Legislative Auditor.  David K. Greer, CPA Assistant Legislative Auditor and Director of Performance Audit and Actuarial Services
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Bill Header: RETIREMENT BENEFITS. Provides relative to the Louisiana State Employees' Retirement System (LASERS) and allows for a change in beneficiary for purposes of joint and survivor annuities.

Cost Summary:

Actuarial Cost/(Savings) to Retirement Systems and OGB	\$0
Total Five Year Fiscal Cost	
Expenditures	\$0
Revenues	\$0

Estimated Actuarial Impact:

The chart below shows the estimated increase/(decrease) in the actuarial value of benefits, if any, attributable to the proposed legislation. Note: it includes the present value cost of fiscal costs associated with benefit changes. It does **not** include present value costs associated with other fiscal concerns.

	<u>Increase (Decrease) in</u> <u>The Actuarial Present Value</u>
<u>Actuarial Cost (Savings) to:</u>	
All Louisiana public retirement systems	\$0
Other Post Retirement Benefits	\$0
Total	\$0

Estimated Fiscal Impact:

The chart below shows the estimated fiscal impact of the proposed legislation. This represents the effect on cash flows for government entities including the retirement systems and the Office of Group Benefits, as well as other fiscal concerns.

EXPENDITURES	2010-11	2011-12	2012-13	2013-14	2014-15	5 Year Total
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Agy Self Generated	0	0	0	0	0	0
Stat Deds/Other	0	0	0	0	0	0
Federal Funds	0	0	0	0	0	0
Local Funds	0	0	0	0	0	0
Annual Total	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

REVENUES	2010-11	2011-12	2012-13	2013-14	2014-15	5 Year Total
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Agy Self Generated	0	0	0	0	0	0
Stat Deds/Other	0	0	0	0	0	0
Federal Funds	0	0	0	0	0	0
Local Funds	0	0	0	0	0	0
Annual Total	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

Bill Information:

Current Law

Under current law, a retiree of LASERS who returns to work and selects re-employment Option 3 will earn a supplemental benefit based on his service during his re-employment. A member of LASERS who continues to work after his participation in DROP will also earn a supplemental benefit. In either case, upon re-retirement, the member must select the same benefit option and beneficiary for the supplemental benefit as he did for his original retirement allowance.

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Proposed Law

Under SB 14, a retiring re-employed retiree will be able to select a benefit option and beneficiary for the supplemental benefit that are different from the benefit option and beneficiary selected at his original retirement date.

Any cost associated with the change in beneficiary must be borne by the retiree. The retiree may pay for any additional cost by a reduction in benefit or by a suspension of monthly payments.

Implications of the Proposed Changes

Under paragraphs B and C of R.S. 11:446, a retiree cannot change the designation of option or beneficiary once a member’s application for retirement has been officially filed with the board. This has been interpreted and enforced very strictly by the retirement system. SB 14 will change this policy.

Cost Analysis

Analysis of Actuarial Costs

Retirement Systems

The present value of a member’s supplemental benefit under the new benefit option with a new beneficiary may be larger or smaller than what it would have been if the member is required to select the original option and beneficiary. There is a small potential for anti-selection. For example, a member in poor health may select a 100% joint and survivor option naming a new beneficiary rather than a 50% joint and survivor benefit for his new beneficiary. If so, anti-selection has occurred. Nevertheless, the incidence of anti-selection will be negligible.

Other Post Retirement Benefits

There is no actuarial cost associated with SB 14 for other post employment benefits.

Analysis of Fiscal Costs

According to information provided by LASERS, there is no additional administrative cost associated with this bill

Dual Referral

<u>Senate</u>	<u>House</u>
<input type="checkbox"/> 13.5.1 ≥ \$500,000 Annual Fiscal Cost	<input type="checkbox"/> 6.8(F) ≥ \$500,000 Annual Fiscal Cost
<input type="checkbox"/> 13.5.2 ≥ \$500,000 Annual Tax or Fee Change	<input type="checkbox"/> 6.8(G) ≥ \$500,000 Tax or Fee Increase or a Net Fee Decrease